



Federal Income Tax “Fun Facts”

As of 2000, the Internal Revenue Code, not including the regulations, ran to 1.4 million words (according to the Joint Committee on Taxation), making it six times longer than War and Peace and nearly twice as long as the King James Bible or the complete works of Shakespeare.

The related income tax regulations ran to another 8 million words spanning over 20,000 pages in six volumes.

- ◆ Together the Internal Revenue Code and the regulations are at least ten times longer than the King James Bible.

The IRS estimated that there were 1.2 million paid tax preparers in the United States in 1999. That amounts to more than twice the number of police officers in the United States and more than four times the number of firefighters. (The United States had 282,000 firefighters and 625,000 police officers as of 2002).

In 1940, the instructions to the Form 1040 were 2 pages long. For the 2004 tax year, the instruction booklet alone was 79 pages long. The instruction to the supposedly simple Form 1040EZ for 2004 was 36 pages long.

Compliance costs associated with the income tax are conservatively estimated to be approximately \$140 billion per year. This cost is roughly the same as giving \$1,000 to every family in America, or the amount of money needed to fund the Department of Homeland Security, the State Department, NASA, HUD, the EPA, the Department of Transportation, the United States Congress, our Federal courts, and all foreign aid.

- ◆ Individual taxpayers paid an estimated \$15 billion for tax preparation in the year 2000.

Next year, as many as 20 million taxpayers will be subject to the Alternative Minimum Tax, and therefore will be forced to calculate their income tax liability under two different sets of rules, and then pay whichever tax is higher.

Individual taxpayers spend approximately 3.5 billion hours each year to comply with the tax system, almost 50% more than in 1988 (the first year the IRS reported such data).

Over 60% of Americans use a paid preparer to compute their taxes (compared to 47% in 1986).

In 2003, the IRS received 89 million calls and had almost 9 million walk-in visits from individuals looking for assistance in completing their returns and understanding the tax code.

More than one in three households (approximately 40%) does not pay federal income tax, compared to 1 in 5 in 1986.

Approximately one in five households receives the Earned Income Tax Credit.

The Internal Revenue Code applies at least 13 different tax rates to individual taxpayers (six different individual income tax rates, four rates applying to capital gains, two rates for dividends, and the partial exclusion for gain on the sale of certain small business stock).

The Internal Revenue Code contains at least a dozen different provisions for education and training and another dozen related to retirement.

- ◆ The Code contains three different definitions of “qualified higher education.”

80% of all recipients of business income pay taxes on that income through the individual income tax system.

The tax system has become so complicated that the GAO estimated in 2002 that 2 million taxpayers overpaid their 1998 taxes (by almost \$1 billion in tax) because they claimed the standard deduction when it would have been more beneficial to itemize.

There are 15 common tax benefits available to families – including provisions that relate to children, education and retirement savings – that provide 14 different phase-out provisions to reduce benefits above specified income levels that, in turn, contain 9 different definitions of income.